

***United States Court of Appeals  
for the Second Circuit***



**BRIEF FOR  
APPELLEE**



In The  
UNITED STATES COURT OF APPEALS

ORIGINAL

**74-2526**

ZOLAR PUBLISHING CO., INC.,

Plaintiff-Appellant,

- against -

DOUBLEDAY & COMPANY, INC., CORONET  
COMMUNICATIONS, INC. and INDEPENDENT  
NEWS CO., INC.,

Defendants-Appellees.

B  
P/S

On Appeal from the United States District Court  
For The Southern District of New York

BRIEF FOR DEFENDANTS-APPELLEES



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UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

-----X  
ZOLAR PUBLISHING CO., INC.,

Plaintiff-Appellant,

- against -

DOUBLEDAY & COMPANY, INC., CORONET  
COMMUNICATIONS, INC. and INDEPENDENT  
NEWS CO., INC.,

Defendants-Appellees.

: Docket No. 74-2526

:  
: BRIEF FOR DEFENDANTS-  
: APPELLEES

-----X  
COUNTER STATEMENT OF ISSUES  
PRESENTED FOR REVIEW

1. Did the Court below properly grant summary judgment to defendants dismissing plaintiff's copyright infringement claims?

2. Did the Court below err in not dismissing plaintiff's unfair competition claims with prejudice?

3. Was the Court below correct in dismissing for lack of subject matter jurisdiction defendant Doubleday's counterclaims for copyright infringement and unfair competition?

PRELIMINARY STATEMENT

In this action plaintiff seeks damages for copyright infringement and unfair competition based on a claim that defendants published and sold reprint (paperback) editions of two works - ZOLAR'S FAMILY HOROSCOPE and ZOLAR'S ENCYCLOPEDIA AND DICTIONARY OF DREAMS - after the right to do so, which plaintiff granted to defendant Doubleday under two publishing agreements, allegedly had terminated. Defendants denied the material allegations of the complaint and defendant Doubleday counterclaimed for copyright infringement, unfair competition and breach of contract based upon plaintiff's publication of infringing works in violation of agreements granting the aforementioned rights.

The central issue in this case is whether the rights plaintiff granted to defendant Doubleday under the publishing agreements terminated prior to the publication of the reprint editions. If the relevant portions of the publishing agreements are still in effect then no claim can be maintained by the plaintiff/licensor against defendant/licensees either for copyright infringement or unfair competition based upon their licensing, publication

or distribution of the reprint editions. Furthermore, if the relevant portions of the publishing agreements have not been terminated, then defendant Doubleday is entitled to prevail on its counterclaim because of plaintiff's admitted publication, distribution and sale of competing works bearing the identical title and covering the same subject matter as the works covered by defendant Doubleday's prior agreement.

The grounds for defendants' motion for summary judgment (and the basis for the lower court's grant of the motion) is that the relevant documents establish unequivocally that plaintiff granted Doubleday full and exclusive rights (including reprint rights) to the works referred to above and that such grant had not been terminated.

It is defendants' position on appeal that the lower court correctly ruled that the publishing agreements had not been terminated and therefore properly dismissed plaintiff's copyright infringement claims on the merits. Moreover, in view of the dismissal of plaintiff's copyright infringement claim, it is submitted that the court erred in not granting defendant Doubleday summary judgment

on its counterclaims for copyright infringement, unfair competition and breach of contract and in not dismissing plaintiff's other claims with prejudice.

#### FACTS

The relevant facts of the case are very simple. Plaintiff entered into two publishing agreements with Doubleday, one covering ZOLAR'S FAMILY HOROSCOPE ("HOROSCOPE" A-46) and the other ZOLAR'S ENCYCLOPEDIA AND DICTIONARY OF DREAMS ("ENCYCLOPEDIA", A-50). Both agreements (paragraph 2 thereof) grant Doubleday exclusive rights to print, publish, reprint and sell the respective works:

2. "The Author (plaintiff) grants and assigns to the Publisher (Doubleday) the exclusive right to print, publish, copy and vend the work and the other rights herein-after referred to on the terms set forth, throughout the world." (A-46, A-50)

In particular plaintiff granted exclusive reprint (paperback) rights to the respective works by paragraph 9 of the publishing agreements:

"9. The Author (plaintiff) hereby grants and assigns to the Publisher (Doubleday) the sole and exclusive right to sell to other publishers, including any corporation which is a subsidiary or affiliate of the Publisher's, the right to bring out a reprint edition of the work (in full length, condensed or abridged versions),

which sale shall provide that such reprints shall not appear on the market within one year after the date of trade publication. The Publisher shall pay to the Author Fifty per cent (50%) of the proceeds of such sales. The Publisher also has the right to publish a reprint edition of the work through its reprint divisions and in the event a reprint edition is thus published through said reprint divisions, the Publisher shall pay to the Author one-half the amount which the reprint divisions shall credit to the Publisher on the books of account of the reprint divisions." (A-46, A-50)

Both agreements (paragraph 3 thereof) also provide that the term of the grant of rights is the copyright term (28 years) plus the full renewal period (an additional 28 years):

"3. The Publisher is hereby expressly authorized and agrees to take out copyright in the name of Zolar Publishing Company, Inc. and to take all steps required to secure said copyright in the United States and is authorized in its discretion to take out copyright in such other countries as may be covered by this agreement. The Author agrees to apply for the renewal of said copyright on the expiration of the first term thereof, and authorizes the Publisher to make such application in his name. The Author further agrees to assign to the Publisher, if this agreement has not terminated previously, the sole and exclusive right to print, publish, copy and vend the work, and the other rights referred to hereinafter, during the full term of said renewal, on the same terms and conditions as for the original copyright term." (A-46, A-50)

The following "integration" clause is also contained

in both contracts (paragraph 29 thereof):

"29. This agreement contains the whole understanding of the parties, supersedes all previous oral or written representations or agreements and may not be changed, modified, or discharged orally. Any modification, change or discharge of this agreement must be in writing and signed by the Publisher." (A-49, A-53)

#### HOROSCOPE

As stated above the term and duration of the rights granted to Doubleday under the HOROSCOPE publishing agreement (A-46, paragraph 3) was not for one year but rather for the copyright term and any renewal period which plaintiff has admitted. At an examination before trial of plaintiff's president, Bruce King, a man who had been in the publishing business for 40 years (A-13), Mr. King admitted negotiating (A-13), reviewing before signing (A-14) and executing the publishing agreement on behalf of plaintiff (A-15).

He also admitted that he was well aware of the period of the copyright term (A-13). These admissions make the complaint incredible.

Plaintiff has never claimed that the express term and duration of the publishing agreement is ambiguous. Nevertheless, despite the specific language of the agreement, which grants full and exclusive rights to Doubleday for the copyright term and the full renewal period, plaintiff argues that the term of the agreement was limited to one year. The basis for plaintiff's assertion is a letter (A-107)

dated March 20, 1963 (prior to the execution of the publishing agreement) in which Mr. King requested a one year contract.

Pursuant to the publishing agreement (A-46) Doubleday commenced publication of the HOROSCOPE on November 1, 1963 as a Doubleday Dolphin edition. By written licensing agreement dated May 15, 1970 and pursuant to paragraph 9 of the publishing agreement Doubleday licensed the reprint (paperback) rights in the HOROSCOPE to Paperback Library, Inc., a subsidiary of defendant Coronet Communications, Inc. Paperback Library, Inc. published a paperback edition of the HOROSCOPE in September 1970. Plaintiff has admitted publishing a competing ZOLAR'S FAMILY HOROSCOPE for all years commencing in 1966.

#### ENCYCLOPEDIA

By the publishing agreement dated January 21, 1963 (A-50) plaintiff granted to Doubleday full and exclusive rights to print, publish, copy and sell the ENCYCLOPEDIA. Plaintiff admitted negotiating, reviewing prior to signing and executing the publishing agreement (A-17). Plaintiff also admitted that at the time it executed the publishing

agreement, its President knew that plaintiff was selling full publication rights, including, but not limited to, hardcover and reprint (paperback) rights (A-17).

Doubleday published its hardcover edition of the ENCYCLOPEDIA on November 1, 1963.

By letter agreement dated April 9, 1965, executed by the plaintiff (A-54), the publishing agreement covering this work (A-50) was modified to the extent that Doubleday granted back to the plaintiff the right to publish a hardcover edition of the work. All other rights which had been granted to Doubleday under the publishing agreement remained in full force and effect under the modification agreement which specifically included plaintiff's grant to Doubleday of reprint (paperback) rights, as follows:

"2. All other rights granted to us under the agreement of January 21, 1963 for the publication of the above Work, remain in our sole and exclusive possession... ."

"4. If, however, within six (6) months from date of this letter, we have made no sale of the reprint rights to the Work in the United States, Canada and the Phillippine Islands; territory other than the U.S.A., the Phillippine Islands and the British Commonwealth (exclusive of Canada) being an open market for copies produced in the English language, you may then request that such rights be reverted to you, at which time we will consider your request."  
(Emphasis added) (A-54)

By agreement dated April 24, 1969 (A-81), Doubleday licensed the reprint (paperback) rights in the ENCYCLOPEDIA to Paperback Library, Inc., a subsidiary of defendant Coronet. This licensing agreement was entered into in accordance with the rights previously granted by plaintiff to Doubleday under the provisions of the publishing agreement (A-50), specifically paragraph 9 thereof. Paperback Library, Inc. published the paperback edition of the ENCYCLOPEDIA on April 29, 1969.

While plaintiff claims that the aforementioned modification agreement (A-54) automatically reverts the paperback rights to plaintiff if no sale had been made by Doubleday within six months from the date thereof, such a claim is directly contradicted by the clear language of the modification agreement. Paragraph 4 simply states that after the expiration of six months from the date of the modification agreement, plaintiff can request to have the paperback rights reverted and Doubleday agrees to consider the request. Under no circumstances can this language be said to create an automatic reversion of paperback rights to the plaintiff. While plaintiff may claim to have made such a request, the fact is that it has never been granted by Doubleday.

It is obvious that the modification agreement dated April 9, 1965 (A-54) can not have the effect of reverting the paperback rights to the plaintiff and therefore plaintiff's claim in this regard is totally without merit. Furthermore, plaintiff's publication of a soft cover paperback edition of the ENCYCLOPEDIA, which it has admitted in paragraph THIRTY-EIGHTH of its complaint (A-29), is in direct violation of the terms of its publishing agreement with Doubleday (A-50), as modified. At the time of the violation Doubleday demanded that plaintiff cease and desist publication, distribution and sale of the competing work (see letter from Doubleday to Bruce King dated March 26, 1970 (A-85)).

#### POINT I

NO EXTRINSIC EVIDENCE MAY BE ADMITTED  
TO CONTRADICT, MODIFY, OR SUPPLEMENT  
THE WRITTEN PUBLISHING AGREEMENT  
INCLUDING THE EXPRESS TERM AND DURATION  
THEREOF.

With respect to the HOROSCOPE the primary issue involved on this appeal is the duration of the written publishing agreement (A-46). Plaintiff's position is that it was for one year only. However, the agreement (A-46, paragraph 3 thereof) is very specific in this regard--it clearly provides that the grant of rights (including any

reprint or paperback rights) is effective for the copyright term (28 years) plus the full renewal period.

Plaintiff does not claim that the contract language relating to the duration of the agreement is ambiguous. Instead plaintiff seeks to contradict it by introducing extrinsic evidence in the form of a letter prior to the publishing agreement (A-107), two references to the contents of the HOROSCOPE (A-89) and an advertisement depicting a display case (A-91) to show that a term of one year was intended.

It is well settled that extrinsic evidence may not be introduced to change the unambiguous language of a written contract and also that where a cause of action or defense is established by the terms of a written agreement summary judgment is the appropriate relief. Thomas v. Scutt, 127 N.Y. 133, 27 N.E. 961 (1891); Bethlehem Steel Co. v. Turner Construction Co., 2 N.Y. 2d 456, 141 N.E. 2d 590 (1957); Park Sheraton Corp. v. Grasso, 6 A.D. 2d 492, 179 N.Y.S. 2d 697 (1st Dep't. 1958); Trudeau v. Michelson, 27 A.D. 2d 775, 277 N.Y.S. 2d 179 (3rd Dep't. 1967); James Talcott, Inc. v. Bloom, 29 A.D. 2d 390, 288 N.Y.S. 2d 398 (1st Dep't. 1968); Ohio Valley Pulley Works, Inc. v. Oneida Steel Pulley Co., 271 F. 57 (2nd Cir. 1921).

In Bethlehem Steel Co. v. Turner Construction Co., supra, the Court in granting summary judgment stated:

"It has long been the rule that when a contract is clear in and of itself, circumstances extrinsic to the document may not be considered and that where the intention of the parties may be gathered from the four corners of the instrument, interpretation of the contract is a question of law and no trial is necessary to determine the equal effect of the contract (citing cases NY 2d at 460)."

Trudeau v. Michelson, supra, is directly analogous to this case in that the defendant in Trudeau attempted to avoid the provision of a written contract by relying on an oral agreement and a provision in an unsigned draft agreement which was omitted from the final executed agreement. In holding that this extrinsic evidence could not be considered, the New York Court of Appeals affirmed a grant of summary judgment for the plaintiff.

Similarly the plaintiff herein seeks to avoid the stated term of the written publishing agreement (A-46) by relying on a prior letter (A-107) wherein plaintiff requested a one year contract.

The above rule applies with equal effect when the disputed provision concerns the term or duration of a contract. For example, in James Talcott, Inc. v. Bloom, supra, the issue concerned the date on which a contract of guaranty effectively terminated. The Court

in granting summary judgment held that no extrinsic evidence, written or oral, could be admitted to vary the clear provisions of the contract.

Ohio Valley Pulley Works v. Oneida Steel Pulley Co., 271 F. 57 (2nd Cir. 1921) involved a dispute over the duration of an agency agreement. Under the provisions of the written contract, its duration was to be determined on the basis of a formula. A literal reading of the formula which was based on sales volume indicated that the contract had expired but the plaintiff sought to avoid this conclusion by offering extrinsic evidence of prior dealings, contracts, etc. The Court dismissed the complaint holding that the extrinsic evidence could not be considered to extend the term of the contract.

Warner-Lambert Pharm. Co. v. John J. Reynolds, Inc., 178 F. Supp. 655 (S.D.N.Y. 1959), aff'd, 280 F. 2d 197 (2nd Cir. 1960), involved claims similar to the one made by plaintiff here. In Warner-Lambert, plaintiff/licensee sought a declaratory judgment that its obligation to pay royalties under its 1885 licensing agreement to the secret "Listerine" formula had terminated. Plaintiff argued inter alia, that by the very nature of the contract's subject matter, i.e., a trade secret, the duration of the contract

was co-extensive with the formula's secrecy. (Plaintiff's argument herein is similar, i.e., it claims that regardless of the provisions of the publishing agreement, since plaintiff intended his horoscopes to apply to only one year, then the book containing such horoscopes was only to be published for one year.) The court dismissed plaintiff's contention and held that as a matter of law the term expressed in the written agreement (the agreement stated that the royalty was to be paid as long as the licensee manufactured Listerine) had to control the contract's duration.

Furthermore, with an integrated contract such as the publishing agreement involved here, the parol evidence rule excludes evidence of even consistent additional provisions. Mitchill v. Lath, 247 N.Y. 377, 160 N.E. 646 (1928). (The one year term which plaintiff has sought to establish by extrinsic evidence contradicts the express written provision of the publishing agreement and would, therefore, not be provable whether or not the contract is integrated.) An integrated contract (which is what this publishing agreement is) is one which is intended to be a final, written memorial of the parties' agreement. Whether a contract is integrated is to be determined solely by inspection of the writing

itself without recourse to any extrinsic evidence. Case v. Phoenix Bridge Co., 134 N.Y. 78, 31 N.E. 254 (1892); Brantingham v. Huff, 174 N.Y. 53, 66 N.E. 620 (1903); Higgs v. DeMazirowff, 263 N.Y. 473, 189 N.E. 555 (1934); Clark v. American Morgan 268 A.D. 209, 49 N.Y.S.                      st Dept. 1944).

Finally, the publishing agreement makes provision for all the obligations of the parties and for every conceivable contingency and, in particular, states (para. 29):

"This agreement contains the whole understanding of the parties, supersedes all previous oral or written representations or agreements and may not be changed, modified or discharged orally. Any modification, change or discharge of this agreement must be in writing and signed by the Publisher." (A-49)

In Fogelson v. Rackfay Construction Co., 300 N.Y. 334, 90 N.E. 2d 881 (1950), the Court of Appeals in an opinion by Judge Fuld relied on an integration clause almost identical to the one in this case and applied the parol evidence rule to exclude extrinsic evidence. The court concluded with a statement which is particularly appropriate here:

"In truth, if the lease before us -- complete on its face and drafted designedly and explicitly to prevent reliance upon any promise or agreement not included -- could be varied and undermined by parol evidence, few written instruments would be safe or secure." 300 N.Y. 334, at 340.

In Point I of its brief on appeal plaintiff argues that the written agreements (A-46, A-50) are so indefinite concerning the literary work which plaintiff was required to produce that the written agreements are unenforceable and extrinsic evidence concerning the duration of the agreements can be admitted to contradict the unambiguous written provision. This argument is invalid for several reasons.

First, it has been long settled that a contract, such as the one involved here, calling for some performance to the satisfaction of the other party is not too indefinite to be enforceable. Thus, in Crawford v. Mail & Express Publishing Co., 163 N.Y. 404 (1900), the Court of Appeals gave effect to a contract to write newspaper articles "satisfactory to the publisher". See, also, Walker v. Edward Thompson & Co., 37 App. Div. 536 (1st Dept. 1899); 5 Williston, Contracts, 3rd Ed. §675(a).

Secondly, assuming arguendo that the agreement as originally written was indefinite concerning the literary work to be produced by plaintiff, it is too late to raise such an objection after the performance has been rendered by

one party and accepted by the other. In the instant case plaintiff delivered the literary works and defendant Doubleday accepted them and published them. To argue now that the contracts failed to specify what the literary works had to contain, years after the works had been delivered, accepted and published, is completely irrelevant and represents an attempt to confuse the issues in dispute. Thus, in Chard v. Ryan-Parker Construction Co., 182 A.D. 455, 169 N.Y.S. 622 (1st Dept. 1918), where the defendant raised the same objection the court held that while the contract might have been unenforceable for indefiniteness prior to performance it could not be attacked on that ground after the services had been rendered and accepted.

None of the cases cited by plaintiff in its brief (Point I) involved a situation, such as the one at bar, where performance had been rendered by one party and accepted by the other who thereupon in fulfillment of the contract incurred considerable expense in publication.

Third, assuming arguendo that the written agreement is ambiguous concerning the literary work or any other item, this in no way permits extrinsic evidence to be admitted to vary the duration of the contract which plaintiff admits is stated unambiguously in the written agreement. As

is stated in 4 Williston, Contracts 3rd Ed. §636 at p. 1035:

"Accordingly, if a contract is even partially reduced to writing, the written portion is no more subject to contradiction by parol than the entire contract would be had it been wholly reduced to writing."

In Verstandig & Sons, Inc. v. Sobel, 26 Misc. 2d 649, 206 N.Y.S. 2d 860 (Sup. Ct. N.Y. Co. 1960), the court held in granting summary judgment to plaintiff, that parol evidence while admissible to add to or explain an incomplete or partially ambiguous written agreement was incompetent to contradict the terms of the contract which were written and unambiguous.

The only case cited by plaintiff which held that extrinsic evidence was admissible, Vogel v. Weissman, 23 Misc. 256, is clearly distinguishable--indeed, it supports defendants' position herein. In Vogel the extrinsic evidence was permitted "because it was not sought to vary the terms of the written instrument, where its language is not sufficiently specific", *id.* at 257. The point is that, unlike the situation in Vogel, the publishing agreement (A-46) is perfectly clear as to the disputed item and plaintiff is seeking to vary the terms of the written instrument.

POINT II

AS A MATTER OF LAW THE PUBLISHING  
AGREEMENTS HAVE NOT BEEN TERMINATED  
AND ARE STILL IN EFFECT

As noted earlier both publishing agreements (A-46, A-50) provide (paragraph 29) that "Any...discharge of this agreement must be in writing and signed by the Publisher [Doubleday]". Such contractual provisions are given their literal effect by N. Y. General Obligations Law §15-301.

In its appellate brief (Point II) plaintiff argues for the first time that the publishing agreement for the HOROSCOPE was subsequently terminated and cancelled in writing. This argument is totally inconsistent with plaintiff's earlier stance that the HOROSCOPE agreement (A-46) was for one year, i.e., if the agreement was for one year there would be no need for a written termination. In any event, as demonstrated below, plaintiff's new argument is as lacking in merit as its prior position.

Plaintiff baldly asserts (plaintiff's brief, p. 29) that the above provision of General Obligations Law §15-301 was complied with. However, plaintiff has not and

cannot produce any writing signed by a Doubleday employee which contains a discharge of the written publishing agreement.

Plaintiff points to only two letters from Doubleday to plaintiff (A-12, A-113) in support of its contention that the requirements of General Obligations Law §15-301 were met. An examination of these letters (A-112, A-113) indicates that no termination of rights under the publishing agreement was effected thereby or, for that matter, even discussed.

#### ENCYCLOPEDIA

In Point III of its brief plaintiff attacks the validity of two particular provisions of the ENCYCLOPEDIA publishing agreement (A-50). Specifically, plaintiff focuses on the provisions giving defendant Doubleday the right to cease publication and to determine the termination of rights (plaintiff's brief, p. 32-34). Plaintiff asserts that these provisions are invalid because they lack consideration and are illusory.

Preliminary, it must be noted that virtually any particular provision of a contract, when viewed in

isolation from the rest of the contract, will appear to lack mutuality. However, the law is not so myopic and only where the party given the option of terminating is thereby able to avoid all his obligations under the Contract will consideration be deemed lacking. 1 Williston Contracts 3rd Ed. §105A p. 424.

The contract in question required, inter alia, defendant Doubleday initially to publish THE ENCYCLOPEDIA at its own expense and to pay royalties to plaintiff. And, in fact, Doubleday did fulfill these obligations. The case cited by plaintiff on this point, Chiapparelli v. Baker, K & Co., 252 N.Y. 192 (1929), has no relevance to the facts of the instant case because one party had the option of never commencing performance and, in fact, he never did commence performance. These obligations alone, which could not be avoided by subsequent termination, are sufficient consideration for any privilege granted to Doubleday under the contract. The mere fact that one party reserves the right to terminate a contract upon notice does not deprive the contract of the element of mutuality. McCall v. Wright, 133 App. Div. 62, 117 N.Y.S. 775, aff'd. 198 N.Y. 143, 91 N.E. 516 (1910); Realty Adv. & Supply Co. v. Englebert Tyre Co., 89 Misc. 371, 151 N.Y.S. 885 (App. Term, 1st Dept. 1915).

Plaintiff makes much of the fact that numerous provisions in the publishing agreement contemplate the possibility of termination (plaintiff's brief, p. 31). This is true. However, the agreement specifies the exclusive method of modification or termination, viz., by a writing signed by Doubleday. Again, plaintiff has not and cannot produce any writing signed by Doubleday which discharged the paperback (reprint) rights granted to Doubleday under the ENCLOPEDIA publishing agreement (A-50). This failure is fatal in view of General Obligation Law §15-301.

The parties did execute a signed, written modification agreement dated April 9, 1965 (A-119). This agreement reverted certain hardcover rights (which are not involved in this action) to the ENCYCLOPEDIA but in all other respects the rights of the parties expressly remained unchanged including Doubleday's right to publish paperback (reprint) editions.

Plaintiff attempts to introduce extrinsic evidence to vary the unambiguous terms of the April 9, 1965 modification agreement. As already established in Point I of this brief to which this Court is respectfully referred,

such evidence is inadmissible. Briefly stated, the legal authorities cited in Point I prohibit the use of extrinsic evidence to vary the clear terms of the written modification agreement of April 9, 1965 which, by the parole evidence rule, merged all prior negotiations including the letters to which plaintiff refers.

As a basis for introducing extrinsic evidence to vary the terms of the April 9, 1965 modification agreement (A-119) plaintiff asserts that one of its provisions (paragraph 1) is confusing (plaintiff's brief, p. 35). However, the "confusing" provision deals solely with hardcover rights to the ENCYCLOPEDIA which are not in dispute here. As demonstrated in POINT I of this memorandum, which is specifically incorporated herein, even assuming that the questioned provision of the written modification agreement is ambiguous, extrinsic evidence is inadmissible to contradict the portions of the written agreement relating to paperback rights which are unambiguous.

The decisive provisions of the modification agreement are clear and plaintiff has not argued otherwise. After granting plaintiff the right to publish a hardcover edition of the ENCYCLOPEDIA the agreement (paragraph 2) states (A-119):

"All other rights granted to us under the agreement of January 21, 1963 for the publication of the above Work, remain in our sole possession."

As to the paperback (reprint) rights the agreement (paragraph 4) stated "you may then [after six months] request that such rights be reverted to you, at which time we will consider your request." Clearly, Doubleday did not relinquish its rights regarding paperback editions.

Plaintiff's final argument in regard to the ENCYCLOPEDIA is that Doubleday is estopped from denying that its rights in the work terminated based on Doubleday's silence after receiving Bruce King's (plaintiff's president) letter of October 25, 1965 (A-122). Preliminarily, it must be noted that King's letter constitutes an admission by him that the paperback rights to the work had not reverted as of that date. King's unilateral assertion that all "rights pertaining to this publication have of this date reverted to me" (emphasis supplied) completely ignores the mandate of the April 9th modification agreement which required Doubleday's consent. The letter does not ask for confirmation or any other response from Doubleday and under such circumstances silence cannot be interpreted as assent or form the basis of an estoppel. 3 Williston, Contracts

3rd Ed. §91. Furthermore, to permit silence to operate as a discharge of the written agreement would violate N.Y. General Obligations Law §15-301.

### POINT III

AS A MATTER OF LAW PLAINTIFF'S EDITIONS  
OF THE HOROSCOPE AND THE ENCYCLOPEDIA  
CONSTITUTE COPYRIGHT INFRINGEMENT AND  
UNFAIR COMPETITION

POINTS I and II establish that the publishing agreements between plaintiff and Doubleday have not been terminated and Doubleday holds the specified rights to the works. Despite this fact, plaintiff has published annual editions of the HOROSCOPE using virtually the same cover, title, and format as Doubleday employed in the original copyrighted version and in direct competition with defendants' editions. Plaintiff also has published its own paperback edition of the ENCYCLOPEDIA which is identical in all respects to defendants' edition. This conduct constitutes both copyright infringement and unfair competition.

### Copyright Infringement

Although a title is not copyrightable as such, plaintiff's copying of the cover design of the original copyrighted FAMILY HOROSCOPE edition published by Doubleday establishes copyright infringement. Conde Nast Publications v. Vogue School of Fashion Modeling, 105 F. Supp. 325 (S.D.N.Y. 1952). See also, Silvers v. Russell, 113 F. Supp. 119 (S.D. Cal. 1953) holding that defendants' use of record label which was similar to plaintiff's copyrighted label established infringement.

In regard to plaintiff's publication, distribution and sale of the ENCYCLOPEDIA, there can be no doubt that plaintiff's edition amounts to copyright infringement since plaintiff's president has admitted:

"I reprinted the book from the original copy that I got from Doubleday, in the exact size and exact book."  
(Bruce King E.B.T., p. 108).

### Unfair Competition

Plaintiff's use of the same titles also constitutes unfair competition. In determining whether there is unfair competition, the basic question is whether the acts complained of are fair. Cigone, Inc. v. Luxury Trading Corp.,

13 A.D. 2d 928, 216 N.Y.S. 2d 558, (1st Dep't. 1961).

A cause of action for unfair competition is established by proof either that the defendant has acted unfairly in some manner or that defendant's activities have caused confusion or mistake, or are likely to cause confusion or mistake, with plaintiff's activities, in the mind of the public. Renofab Process Corp. v. Renotex Corp., 158 N.Y.S. 2d 70 (Sup. Ct. 1956).

Courts have held that the use of a title which is identical or similar to the title of a work already published constitutes unfair competition. Lyle Stuart, Inc. v. Pinnacle Books, 171 U.S.P.Q. 444 (Sup. Ct. N.Y. Co. 1971). Where the titles have only some similarity, some showing of consumer confusion must be shown. Brown v. Lyle Stuart, Inc., 42 Misc. 2d 909, 249 N.Y.S. 2d 370 (Sup. Ct. N.Y. Co. 1964). However, in a case such as this, where the titles are the same or virtually identical and the books are similar in subject matter, size and format, no such showing is necessary. Avon Periodicals v. Ziff-Davis Publishing, Co., 282 A.D. 200, 122 N.Y.S. 2d 92 (1st Dep't. 1953). In the cited case, the court held that defendant's use of the title "Eerie", the same as that previously employed by

plaintiff, in a publication which was very similar in size and format to plaintiff's publication and which dealt with the same subject, was bound to cause confusion and constituted unfair competition. The court reached this result without any showing that plaintiff's use of the title had acquired a secondary meaning.

POINT IV

SUBJECT MATTER JURISDICTION IS  
PRESENT

Judge Cannella in his decision below (A-1) held that as a matter of law the two publishing agreements had not been terminated and therefore he dismissed plaintiff's copyright claims. However, instead of dismissing plaintiff's other claims with prejudice and granting judgment on Doubleday's counterclaims (which should necessarily follow the holding that the agreements were not terminated) the court dismissed without prejudice the other claims and counterclaims for lack of subject matter jurisdiction. The issue of subject matter jurisdiction was not raised by any of the parties and was therefore not briefed below.

Title 28 USCA §1338 provides:

"PATENTS, COPYRIGHTS, TRADE-MARKS, AND  
UNFAIR COMPETITION

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws."

The question presented is whether Doubleday's counterclaim for copyright infringement "arises under" the federal copyright law within the meaning of 28 USCA §1338(a) (if it does then by virtue of §1338(b) jurisdiction is also present for the unfair competition counterclaim).

Admittedly not all cases involving a statutory copyright are actions for copyright infringement within exclusive federal jurisdiction. Where the action is for breach of contract which merely involves a copyright federal jurisdiction is lacking. For example, a suit by a licensor for non-payment of royalties by the licensee is a state claim even though the validity of the copyright may be at issue. Danks v. Gordon, 272 F. 821 (2nd Cir. 1921).

However, jurisdiction is exclusively federal if the claim is for copyright infringement even though the court must decide issues of contract law. Wooster v. Crane & Co., 147 F. 515 (8th Cir. 1906); King v. Edward B. Marks Music Corp., 56 F. Supp. 446 (S.D.N.Y. 1944), Southern Music Pub. Co. v. Walt Disney Productions, 73 F. Supp. 580 (S.D.N.Y. 1947). The instant action is such a case. Although contract law may be involved in determining Doubleday's right to claim copyright infringement the gravamen of the counterclaim is copyright infringement. Only a federal court is empowered to determine whether plaintiff's publication of paperback editions of the HOROSCOPE and the ENCYCLOPEDIA constitute infringement of Doubleday's copyrights; only a federal court is empowered to grant the special relief available under the Copyright Act, 17 USCA §101, which is different from that available in state court for breach of contract. Simon & Schuster, Inc. v. Cove Vitamin, Inc., 211 F. Supp. 72 (S.D.N.Y. 1962)

In the analogous situation involving patents it has long been held that a suit by a licensee against his licensor for infringement presents a federal claim. Littlefield v. Perry, 88 U.S. 205 (1874); Victor Talking



Mach. Co. v. The Fair, 123 F. 424 (7th Civ. 1903); "Actions Involving Patents-Jurisdiction", 167 A.L.R. 1114.

CONCLUSION

FOR THE REASONS STATED ABOVE THE JUDGMENT  
BELOW SHOULD BE MODIFIED AND DEFENDANTS'  
MOTION SHOULD BE GRANTED IN ALL RESPECTS.

Respectfully submitted,

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Appellee's Brief  
IS HEREBY ADMITTED.

DATED: May 22, 1975

Stanley M. Estrow sub.

Attorney for plaintiff - appellant

